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SUBJECT: HAITI'S MINIMUM WAGE LAW STILL STALLED

REF: A) PORT AU PRINCE 583 B) PORT AU PRINCE 553 C)
PORT AU PRINCE 530 D) PORT AU PRINCE 486

¶1. (SBU) Summary: Haitian President Rene Preval continues to take a strong stand behind his formally submitted objections to raising the minimum wage to 200 Haitian gourds (HTG) per day. In a sustained media campaign, Preval warns of the negative consequences of a wage increase on foreign investment and Haiti's already astronomical unemployment rate, and calls for a carve-out for the assembly sector producing for export. Parliamentary supporters of the minimum-wage increase are demanding that factory owners submit financial statements proving that the increase will ruin their businesses. The private sector continues to support a phase-in of the wage increase for the apparel assembly industry over several years. Several leaders of trade union organizations conceded that a compromise might be necessary to allow workers to keep their jobs. University students promise to hold more protests in favor of overriding President Preval's objections and passing the original version of the bill. Deliberations in parliament may be protracted, as there is no constitutional limit on how long the Parliament can debate the President's objections to the proposed legislation. This is the only issue in recent memory where the President has made a strong effort, by negotiating with stakeholders and using the media, to effect a legislative outcome. End summary.

Preval Explains His Objections, Proposes Gradual Increase

¶2. (SBU) President Preval on June 17 outlined his reasons for objecting to the proposed minimum wage legislation, including his suggested revisions, in a widely publicized letter addressed to the President of the Senate Kely Bastien and the President of the Chamber of Deputies Levaillant Louis-Jeune. Preval stated that the law, in its current form, 'could pose many problems with great consequences' for unemployment, investment, and job creation, citing the current global economic crisis. He pointed to job losses following minimum wage increases in both the Dominican Republic and Nicaragua. He also criticized the legislation's failure to take into account the public sector, or the tourism and agricultural industries, where the sudden wage increase 'could cause problems.' He concluded on an optimistic note, conveying his openness to negotiations.

¶3. (SBU) In an appendix to the letter, Preval proposed a gradual, phased increase in the minimum wage for apparel industry workers in the assembly sector, a proposal previously made by Georges Sassine, President of the Haitian Association of Industry (ADIH). This proposal includes a wage increase for salaried employees to HTG 125 per day starting October 1, 2009, rising to HTG 150 per day on October 1, 2010, and HTG 200 per day on October 1, 2012. Workers paid piece-rates would receive a minimum of HTG 200 per day starting October 1, 2009, rising to HTG 250 per day on October 1 2010, and HTG 300 per day on October 1, 2012. For other industrial and commercial establishments, Preval proposed that the minimum wage be fixed at HTG 200 per day for 8 hours of work, starting October 1, 2009. National

electronic and print media reproduced the letter in its entirety repeatedly the week of June 20.

¶4. (SBU) On June 26 President Preval spoke to the media to promote his suggested amendments to the minimum wage legislation. He specifically mentioned how factory jobs in the CODEVI free trade zone in Ounaminthe, located on the Haiti-Dominican Republic border, would be put at risk with such a large wage increase. Preval urged parliamentarians and the public to consider how the law would increase poverty -- and Haiti's already high unemployment rate. During the visit of UN Special Envoy for Haiti Bill Clinton to Haiti July 6-8, Preval spoke out again, in the company of the former U.S. President, about the need to balance the interests of workers, employers, and the nation. Preval's daughter also appeared on national television, TNH, in support of his cause, interviewing factory workers who expressed fear that a minimum wage increase would cause them to lose their jobs.

Parliament Divided, Conducting Negotiations

¶5. (SBU) Although the original bill passed by a large majority in the House and unanimously in the Senate, support for Preval's proposed amendments is picking up. Divisions remain deep, however, and it is still too early to say whether the vote will go Preval's way. Deputy Stephen Benoit (LESPWA, Petion Ville), author of the minimum wage bill, claims that Preval arrived at his proposal for a gradual increase in a meeting with only a handful of parliamentarians who did not represent the majority. Union representatives also claim that they were not included in these discussions.

¶6. (SBU) Some members of the Lower House, including Deputies Ogligne Pierre (MOCRENA, Maniche) and Antoine Rodon Bien-Aime (MPH, Cerca Carjaval), declared they had switched sides, aligning with Preval "in the interest of the national economy." Rhetoric on the other side has been shrill. Benoit remains adamant in advocating the legislation in its original form. Some parliamentarians accuse those siding with Preval of receiving bribes from the Government of Haiti (GoH) and the private sector. At the same time, Deputy Eddy Jean-Pierre of Cap Haitien threatened to resign if the original HTG 200 wage legislation, now often referred to as "Benoit's Law," is not passed by the Lower House by July 9. The week of July 6, Senate Vice President Andris Riche proclaimed that a vote in favor of Preval's amendment would "destroy the legislative branch of government." A week earlier, another deputy accused opponents of the original minimum wage bill of wanting to reduce Haitian workers to the level of slaves, reversing the victory of General Dessalines in Haiti's war of independence. Recent press reports indicate that a considerable minority of deputies are willing to settle for a less than HTG 200 minimum wage.

Labor Open to Compromise

¶7. (SBU) After several closed-door hearings with employers representatives, the Social Affairs Committee of the Chamber of Deputies met July 1 with four labor organizations, including the Union Coordinating Committee, the General Workers Confederation (CGT), and the CODEVI union, who all indicated that accepting a lower minimum wage might be the only way to prevent layoffs. Deputy Gerandale Thelusma, president of the Social Affairs Committee of the Chamber, declared on July 9 that the Committee's report analyzing President Preval's objections would be presented July 16, and that a vote could take place that same day.

Student Protests Fizzle, but Could Resume

¶8. (SBU) At times violent, student demonstrations demanding that Preval sign the bill in its original version (refs A and B) fizzled out in mid-June. On June 16 students broke the windows of three Haitian National Police (HNP) cars, the last recorded incidence of violence related to their protests.

There have been a few calls for demonstrations, in the form of 'peaceful marches,' since then. Many students, particularly from the Faculty of Medicine and the State University of Haiti (UEH), are upset that the university administration declared a premature conclusion to the academic year, which means that students forfeited an entire school year because they were unable to take their final exams due to the protests. They demand to meet with faculty leaders to press demands for changes in the university administration, in addition to pushing for approval of the original version of the minimum wage.

Deputies Demand Proof Higher Minimum Wage is Ruinous

¶9. (SBU) Minimum wage hardliners are demanding that businesses or Haiti's tax authority provide parliament access to their tax records to prove they cannot afford the higher minimum wage. Some business leaders are pushing back. President Preval and members of his office met July 8 at the National Palace with a group of deputies and private sector representatives. Several deputies, including Stephen Benoit, emerged angry and disappointed from the meeting, because the director of the Haitian Tax Authority (DGI) was not in attendance. They were further concerned that the financial statements of the major textile companies were not presented to them as they had expected. Some businessmen, including Reginald Boulos, President of the Chamber of Commerce and Industry of Haiti, refuse to share their documents with parliamentarians, arguing that revealing such confidential, proprietary information would undermine businesses' competitive position. Deputy Guy Gerard Georges, however, announced that textile company owners agreed to show their balance sheets on the condition that they not be published, as they are business confidential.

¶10. (SBU) Executive Director of the Haiti Hemispheric Opportunity through Partnership Encouragement Act (HOPE II) Commission Georges Sassine told EconOff on July 1 that factory owners were agreeable to allowing a GoH representative to view the financial statements at factory offices (as opposed to delivering records to the Parliament). On July 9, President Preval suggested that President of the Chamber of Deputies Levaillant Louis-Jeune formally request the financial statements of local factories from the tax authority DGI. In response, the Chamber of Deputies formed an ad hoc commission, which includes Benoit, to inquire about the financial state of twenty-six apparel assembly factories. Benoit stated that he is ready to change his position with proof that a minimum wage increase to HTG 200 would lead to great job loss in the apparel assembly sector. Social Affairs Committee Chairwoman Thelusma announced July 13 that her committee still expected to see the financial records of the 26 apparel factories.

Comment

¶11. (SBU) There is no assurance that the proposed date of July 16 for submission of the Social Affairs Committee's report will produce a quick vote in the Chamber of Deputies. The Senate could then take its time to schedule its own vote. There is no legal or constitutional time limit for parliamentary consideration of Presidential amendments to a piece of legislation. Parliamentary leaders who support the original bill are nervous and want to get their votes lined up, because a failure of either Chamber to override Preval's objections by absolute majority results in Preval's amendments becoming law.

TIGHE